CURRENT STATUS OF THE PROFESSIONAL SERVICES INDUSTRY

Peter A. Cunningham
President
INPUT

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- Environment
- Market
- Conclusions

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ENVIRONMENT

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INDUSTRY SLOWDOWN

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LAW 1

Rate of Supply >

Rate of Absorption

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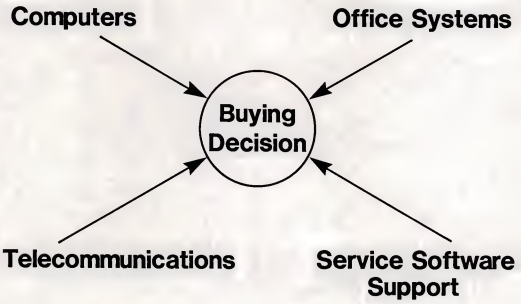
COMPLEXITY



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MARKET

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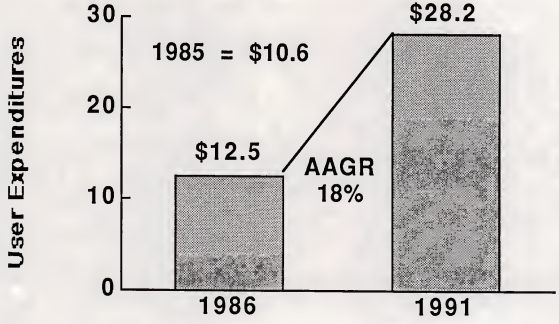
PROFESSIONAL SERVICES MARKET
($ Billions)



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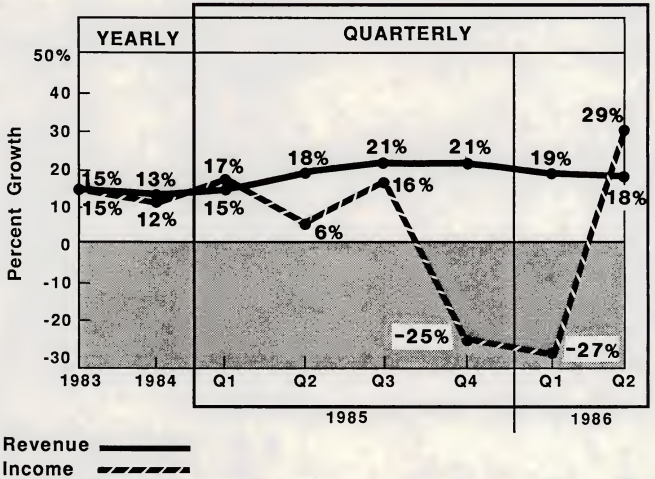
PUBLIC PROFESSIONAL SERVICES VENDORS



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PROFESSIONAL SERVICES: DRIVING FORCES

- \- More User Willingness to Compromise on Uniqueness
- \+ More Software Product Related
- \+ More Focus on Internal Productivity
- \+ Increased Industry Specialization
- \+ Federal Government Vendors Becoming Commercial Vendors

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MARKET PRESSURES

- Reduced In-House Capability
- Pervasiveness of Information Systems
- Demands for Productivity

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U.S. PROFESSIONAL SERVICES LEADERS 1985

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
1	IBM	$977	9%
2	Computer Sciences Corp.	609	6%
3	Arthur Andersen	400	4%
4	Peat, Marwick, Mitchell & Co.	220	2%
5	Burroughs/Systems Development Corp.	210	2%

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U.S. PROFESSIONAL SERVICES LEADERS 1985

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
6	General Motors/EDS	$200	2%
7	Martin Marietta Data Systems	200	2%
8	Sperry Computer Corp.	200	2%
9	Bolt, Beranek & Newman	161	2%
10	Logicon	150	1%

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INDUSTRY PROFESSIONAL SERVICES MARKETS

INDUSTRY SECTOR	1986-1991 AAGR (Percent)	USER EXPENDITURES ($ Billions)	
		1986	1991
Discrete Manufacturing	21%	$2.0	$5.3
Process Manufacturing	22%	$1.1	$3.0
Transportation	21%	$0.2	$0.4
Utilities	9%	$0.1	$0.1
Telecommunications	25%	$0.5	$1.5

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INDUSTRY PROFESSIONAL SERVICES MARKETS

INDUSTRY SECTOR	1986-1991 AAGR (Percent)	USER EXPENDITURES ($ Billions)	
		1986	1991
Distribution	18%	$0.6	$1.5
Banking and Finance	19%	$1.5	$3.6
Insurance	15%	$0.9	$1.9
Medical	22%	$0.3	$0.7
Education	9%	$0.1	$0.1

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INDUSTRY PROFESSIONAL SERVICES MARKETS

INDUSTRY SECTOR	1986-1991 AAGR (Percent)	USER EXPENDITURES ($ Billions)	
		1986	1991
Services	19%	$0.2	$0.4
Federal Government	11%	$3.2	$5.5
State and Local Government	17%	$1.6	$3.5
Other	20%	$0.3	$0.7

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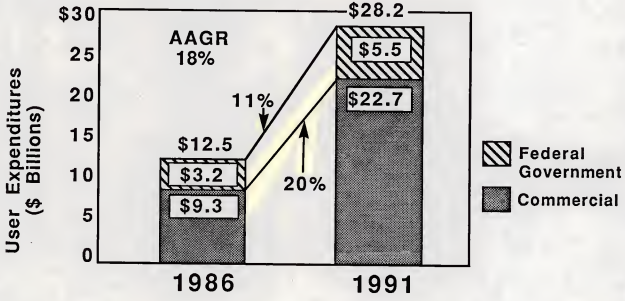
FEDERAL GOVERNMENT/COMMERCIAL PROFESSIONAL SERVICES MARKETS



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U.S. PROFESSIONAL SERVICE LEADERS 1985, COMMERCIAL SEGMENT

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
1	IBM	$684	6%
2	Arthur Andersen	296	4%
3	Computer Sciences Corp.	250	3%
4	Peat, Marwick, Mitchell & Co.	174	2%
5	McGraw-Hill	135	2%

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U.S. PROFESSIONAL SERVICE LEADERS 1985, COMMERCIAL SEGMENT

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
6	AGS	$117	2%
7	Computer Task Group	110	1%
8	Sterling Software	107	1%
9	Price Waterhouse	97	1%
10	DBA Systems	91	1%

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U.S. PROFESSIONAL SERVICE LEADERS 1985, FEDERAL GOVERNMENT SEGMENT

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
1	Computer Sciences Corp.	$359	13%
2	IBM	293	11%
3	Burroughs/Systems Devl. Corp.	147	5%
4	General Motors/EDS	140	5%
5	MITRE	140	5%

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U.S. PROFESSIONAL SERVICE LEADERS 1985, FEDERAL GOVERNMENT SEGMENT

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
6	Sperry Computer Corp.	$140	5%
7	Martin Marietta Data Systems	130	5%
8	Logicon	120	4%
9	Arthur Andersen	104	4%
10	Planning Research Corp.	85	3%

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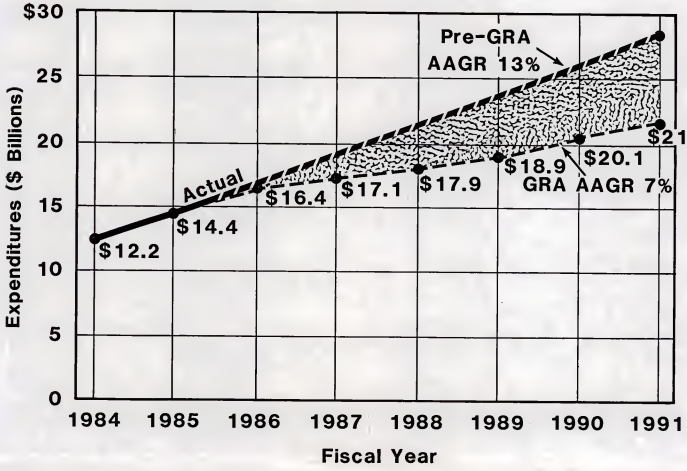
GRAMM-RUDMAN IMPACT ON FORECAST



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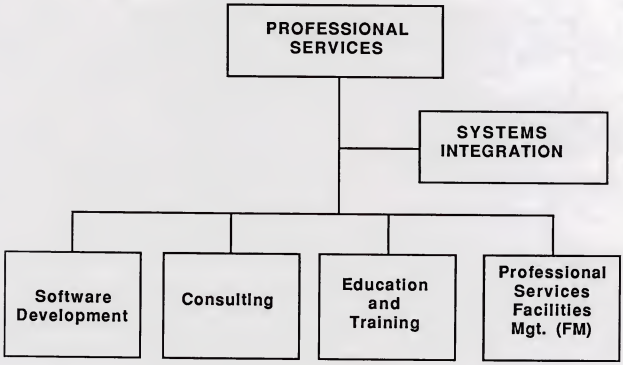
PROFESSIONAL SERVICES MARKET STRUCTURE



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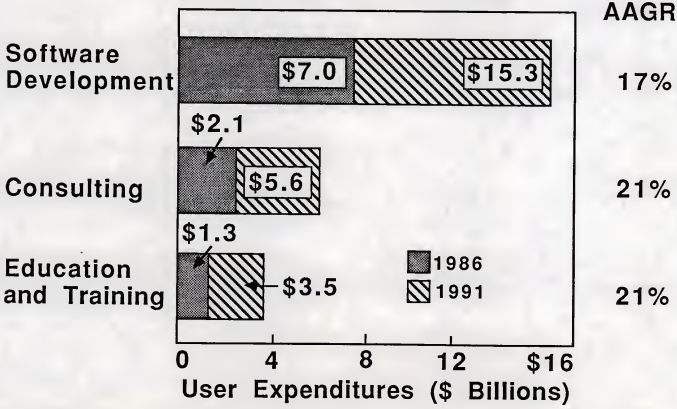
PROFESSIONAL SERVICES MARKET BY MODE



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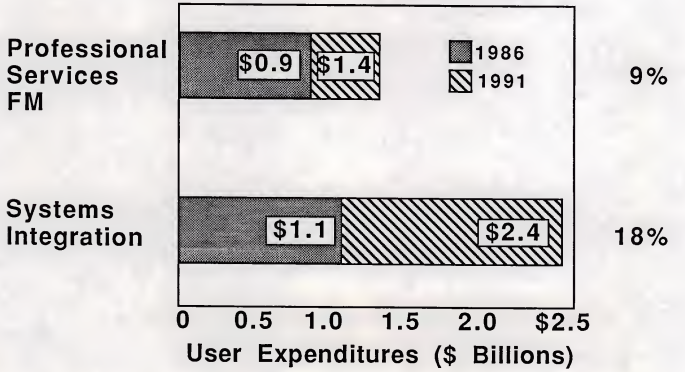
PROFESSIONAL SERVICES MARKET BY MODE



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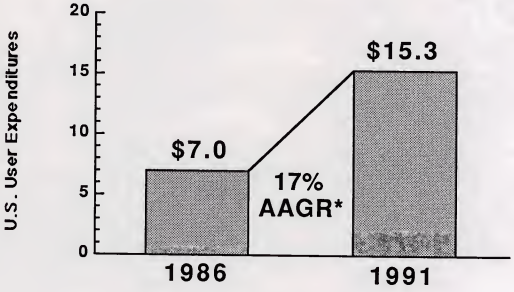
SOFTWARE DEVELOPMENT MARKET, 1986-1991
($ Billions)



*Average Annual Growth Rate

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U.S. PROFESSIONAL SERVICE LEADERS 1985, SOFTWARE DEVELOPMENT SEGMENT

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
1	IBM	$399	7%
2	Arthur Andersen	240	4%
3	Computer Sciences Corp.	158	3%
4	Burroughs/Systems Devl. Corp.	127	2%
5	Price Waterhouse	111	2%

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U.S. PROFESSIONAL SERVICE LEADERS 1985, SOFTWARE DEVELOPMENT SEGMENT

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
6	Peat, Marwick, Mitchell & Co.	$110	2%
7	MITRE	91	2%
8	Computer Task Group	89	1%
9	AGS	82	1%
10	Sterling Software	75	1%

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KEY ISSUES
SOFTWARE DEVELOPMENT

- Lack of Skilled In-House Resources
- (Embedded) Software Tools
- More Powerful and Flexible Software Packages
- "Buy and Try" Approach
- Extensive Competition

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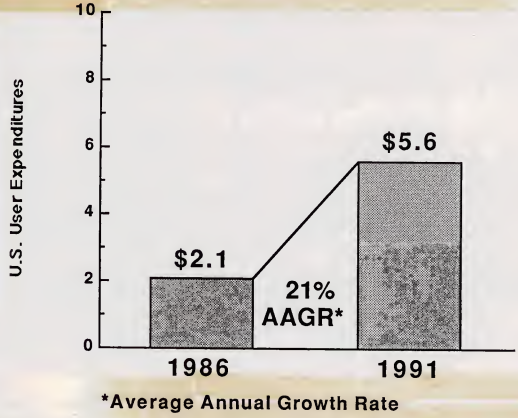
CONSULTING MARKET, 1986-1991
($ Billions)



*Average Annual Growth Rate

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U.S. PROFESSIONAL SERVICE LEADERS 1985, CONSULTING SEGMENT

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
1	IBM	$342	19%
2	Arthur Andersen	100	6%
3	Computer Sciences Corp.	97	5%
4	Peat, Marwick, Mitchell & Co.	88	5%
5	McGraw-Hill	74	4%

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U.S. PROFESSIONAL SERVICE LEADERS 1985, CONSULTING SEGMENT

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
6	Burroughs/Systems Devl. Corp.	$63	4%
7	Digital Equipment Corp.	62	3%
8	Bolt, Beranek & Newman	60	3%
9	Sperry Computer Corp.	50	3%
10	MITRE	49	3%

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KEY ISSUES CONSULTING

- Corporate Visibility of DP
- Plethora of "Solutions"
- Competition from Non-DP-Oriented Vendors

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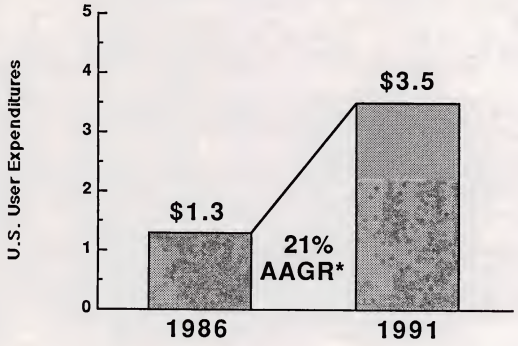
EDUCATION AND TRAINING, 1986-1991
($ Billions)



*Average Annual Growth Rate

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U.S. PROFESSIONAL SERVICE LEADERS 1985, EDUCATION AND TRAINING SEGMENT

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
1	IBM	$147	13%
2	McGraw-Hill	61	5%
3	Arthur Andersen	60	5%
4	Deltak	60	5%
5	Logicon	37	3%

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U.S. PROFESSIONAL SERVICE LEADERS 1985, EDUCATION AND TRAINING SEGMENT

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
6	Computer Sciences Corp.	$30	3%
7	ASI	30	3%
8	Computer Horizons	26	2%
9	Sperry Computer Corp.	25	2%
10	Peat, Marwick, Mitchell & Co.	22	2%

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KEY ISSUES
EDUCATION AND TRAINING

- Ubiquity of Automated Information Systems
- Rapid Technical Changes
- Lack of a Critical Mass
- Low Perceived Value

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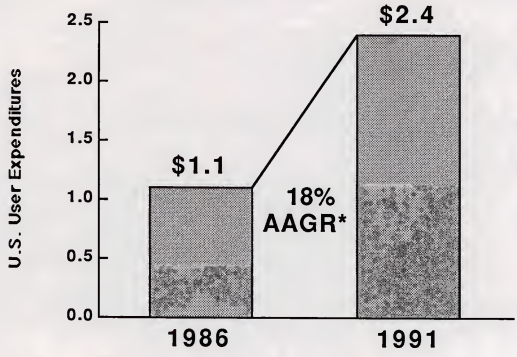
SYSTEMS INTEGRATION MARKET, 1986-1991
($ Billions)



*Average Annual Growth Rate

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U.S. PROFESSIONAL SERVICE LEADERS 1985, SYSTEMS INTEGRATION SEGMENT

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
1	Computer Sciences Corp.	$100	11%
2	IBM	90	10%
3	General Motors/Electronic Data Systems	75	8%
4	Sperry Computer Corp.	75	8%

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U.S. PROFESSIONAL SERVICE LEADERS 1985, SYSTEMS INTEGRATION SEGMENT

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
5	Bolt, Beranek & Newman	$ 60	7%
6	Science Applications International	60	7%
7	Martin Marietta Data Systems	50	5%
8	Planning Research Corp.	35	4%

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KEY ISSUES
SYSTEMS INTEGRATION

- Consolidation of Applications
- Myriad of Alternatives
- Multi-Vendor Environment
- Account Control
- Lack of Adversarial Mentality
- Political Factors

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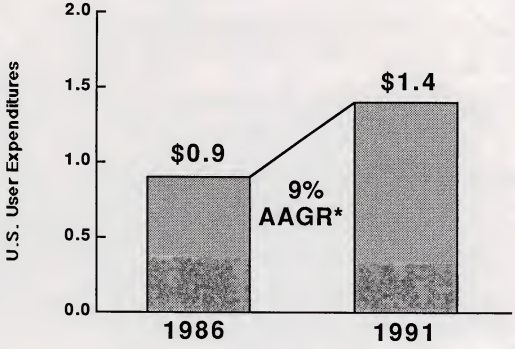
FACILITIES MANAGEMENT, 1986-1991
($ Billions)



*Average Annual Growth Rate

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U.S. PROFESSIONAL SERVICE LEADERS 1985, FACILITIES MANAGEMENT SEGMENT

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
1	Computer Sciences Corp.	$ 224	31%
2	Martin Marietta Data Systems	85	12%
3	General Motors/EDS	50	7%
4	Dynamics Research	45	6%
5	Lockheed/LEMSCO	43	6%

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U.S. PROFESSIONAL SERVICE LEADERS 1985, FACILITIES MANAGEMENT SEGMENT

RANK	VENDOR	USER EXPENDITURES ($ Millions)	MARKET SHARE (Percent)
6	Bendix	$ 41	6%
7	Systems & Computer Technology	31	4%
8	Dynalectron	29	4%
9	Telos Corp.	29	4%
10	Planning Research Corp.	26	4%

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KEY ISSUES
FACILITIES MANAGEMENT

- Sophisticated Systems
- Lack of Skilled In-House Staff
- More to Vendor-Owned/Vendor-Operated FM

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CONCLUSIONS

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MARKET OPPORTUNITIES

APPLICATIONS

- Information Systems Upgrades
- Data Management
- Office Automation
- Human Resources
- Supercomputers

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MARKET OPPORTUNITIES

INDUSTRIES

- Banking and Finance
- Manufacturing
- Federal Government

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RECOMMENDATIONS

- Emphasize Support
- Firm Up Project Management
- Gather Prospect Intelligence
- Know the Risks
- Understand the Client
- Develop Capabilities

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